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WASHINGTON

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CABINET AFFAIRS STAFFING MEMORANDUM

Date: 2/13/84 **Number:** 168910CA **Due By:** _____

Subject: Cabinet Council on Economic Affairs - Tuesday, February 14, 1984

8:45 a.m. - Roosevelt Room

	Action	FYI		Action	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>			
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: The Cabinet Council on Economic Affairs will meet on Tuesday, February 14, 1984 at 8:45 a.m. in the Roosevelt Room.

The agenda and background papers are attached.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☐ Katherine Anderson
☒ Tom Gibson

Associate Director
Office of Cabinet Affairs

☐ Don Clary
☐ Larry Herbolzheimer

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THE WHITE HOUSE

WASHINGTON

February 10, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*

SUBJECT: Agenda and Paper for the February 14 Meeting

The agenda and paper for the February 14 meeting of the Cabinet Council on Economic Affairs are attached. The meeting is scheduled for 8:45 a.m. in the Roosevelt Room.

The Council will review a report from the OECD Conference on Employment Growth in the Context of Structural Change and a report from the Working Group on Unemployment and Unemployment Compensation.

At its December 20 meeting, the Cabinet Council reviewed a report from the Working Group on Unemployment. As part of that report the Council discussed a national school-to-work transition proposal modeled after a demonstration started in Delaware by Governor du Pont and now replicated in seven other states as the Jobs for America's Graduates program.

At the December 20 meeting the Council agreed to recommend that the Administration encourage States and localities to use existing authority to establish school-to-work transition programs and asked the Office of Policy Development, the Office of Management and Budget, and the Department of Labor to work with representatives of the Jobs for America's Graduates program to develop the most appropriate ways for the Administration to encourage such programs. Through those discussions and meetings with other Administration officials, the issue paper has been revised to include four options. A copy is attached.

Attachments

THE WHITE HOUSE
WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

February 14, 1984

8:45 a.m.

Roosevelt Room

AGENDA

1. Report of the Working Group on Unemployment and Unemployment Compensation
(CM# 407)
2. Report on the OECD Conference on Employment Growth in the Context of Structural Change.
(CM# 457)

School-to-Work Transition Program

Issue: Should the Administration propose legislation establishing a School-to-Work Transition program?

Governor du Pont, Chairman of the Jobs for America's Graduates (JAG) program, has asked the Administration to propose legislation funding a School-to-Work Transition program. Members of the JAG Board of Directors include several prominent political figures including Governors Pierre du Pont and Lamar Alexander, Vice President George Bush, former Vice President Walter Mondale, and Senator Howard Baker. The proposed legislation would reprogram \$25-50 million from the Summer Youth Employment Program to the Job Training Partnership Act's discretionary account to fund an expanded series of demonstration projects. These School-to-Work Transition demonstration projects would be modeled after the JAG program.

Background

JAG is an outgrowth of a program conceived by Delaware Governor du Pont in 1978 as a means of addressing high unemployment among workers under age 24 in his State. Jobs for Delaware Graduates (JDG) was launched in the 1979-80 school year with \$1.7 million from the U.S. Department of Labor (DOL) which matched State and foundation contributions. DOL has continued to support this program as a demonstration. It has proposed \$2.5 million for the demonstration in FY1984, although the demonstration phase is coming to an end.

Based on the Delaware experience, the JDG model has been replicated through the Jobs for America's Graduates program in seven other States including Arizona, Massachusetts, Michigan, Missouri, Ohio, Tennessee, and Virginia.

The JAG model is designed to serve high school seniors who do not plan to pursue post-secondary school education and who a screening process indicates are likely to have difficulty finding a job after graduation. This screening process would involve objective testing and the subjective judgments of local school officials and the staff of the school-to-work transition program. There are no income eligibility criteria for student participants.

The program relies on strong State and local government and business support to provide it with visibility and access to private sector employers. The program places

-2-

counselors and job specialists in local high schools to provide participating seniors with up to 60 hours of pre-employment guidance in job search techniques and job holding disciplines (i.e., work habits). The job specialists assist those participants who graduate in their job search in a ratio of about one for each 30-35 graduates. The job specialists also maintain contact with, counsel, and, if necessary, provide continuing job search assistance to the graduate for up to nine months after graduation. Participants who do not graduate from high school are not allowed to continue participation, a provision which encourages high school graduation among those who wish to receive help from the program.

Program Evaluations and Reviews

Based on field reviews, JAG claims an 88 percent positive termination rate. A DOL-sponsored study concluded that successful participants earned \$0.38 per hour more than participants in a comparison group. The study found that successful participants were 10 percent more likely than those in the comparison group to be employed eight months after graduation. A study sponsored by JAG and conducted by Andrew Sum of MIT found a positive termination rate of 79 percent. The Sum study concluded that successful participants earned wages of \$0.15 per hour higher than participants in a comparison group. Attached is a summary of research findings provided by Jobs for America's Graduates, Inc.

The Office of Management and Budget notes that the program statistics may be overstated. This is caused by several factors. First, the base used to calculate the positive termination rate does not include those participants who drop out of school and the program. Both positive terminations and the base include those who attend post-secondary school education or enlist in the military. Adjusting for these factors would result in about a 42 percent job placement rate (48 percent including the military).

Second, based on a field review, many successful job placements appear to include people who had been working in the same job which they held during school or the previous summer. Of those people who JAG claims found jobs, the same field review found that 75 percent were working in jobs they previously held. Moreover, two-thirds of those interviewed who were holding jobs reported that they got their job through their own efforts, rather than through referral by JAG.

-3-

Current Spending for Youth Employment Programs

A school-to-work transition program would supplement existing efforts to train and employ youth. The following table summarizes the minimum level of funds available for training, employment, and job search assistance for youth during the Job Training Partnership Act (JTPA) program year beginning July 1, 1984 and ending June 30, 1985. Marginally higher spending levels are proposed for the following year.

<u>Available Federal Funds for Youth Employment Assistance</u>			
	<u>Total</u>	<u>Disadvantaged Youth</u>	<u>Non- Disadvantaged Youth</u>
JTPA Block Grant	\$754	\$679	\$75
Summer Youth Employment	725	725	0
Job Corps	577	577	0
Employment Service	<u>263*</u>	<u>-</u>	<u>-</u>
Total	\$2319	\$1981	\$75

* The Employment Service allocates funds to serve youth in proportion to the youth representation in the pool of unemployed, about 30 percent. These resources can be devoted to serving either disadvantaged or non-disadvantaged youth.

The table divides available funds into those which are available to serve economically disadvantaged youth and those available to serve non-disadvantaged youth. For instance, the JTPA block grant authority requires the Governor to spend at least 40 percent of the block grant resources on youth. In addition, the Governor may spend up to 10 percent of the resources on non-disadvantaged youth. Therefore, \$75 million is allocated to this category.

Previous Administration Consideration

The issue of Administration support for a JAG-type

-4-

school-to-work transition program has been considered on previous occasions.

- o Governor du Pont approached the Administration in October 1981 seeking \$7 million from the Department of Labor (DOL) for support of JAG. DOL objected to the request and argued that it had few discretionary resources to spare and had had to cut out many other popular programs. The Employment and Training Administration eventually agreed to provide \$1 million in discretionary funds for JAG in FY1982.
- o During drafting of the Administration bill to replace CETA in 1982, Governor du Pont suggested that at least 30 percent of the block grant resources be untargeted. The Administration chose instead to target training resources on the disadvantaged.
- o The Congress also rejected explicit support of the JAG concept when it adopted the Administration's philosophy in the legislation that became JTPA. Congress did, however, provide States and localities the flexibility to adopt JAG-type programs (if they meet their needs) through current authorizations under JTPA.
- o The Cabinet Council on Economic Affairs (CCEA) considered a proposal for a \$300 million National School-to-Work Transition Assistance program in December 1983. The CCEA decided not to recommend proposing legislation for such a program or to seek additional resources or reprogram resources to finance it. However, the CCEA agreed that the Administration would work with JAG to develop a program to promote the concept to States.

Option 1: Propose or support separate legislation to authorize a national School-to-Work Transition Program at \$300 million in FY1985 escalating to \$1 billion in FY1988.

The national school-to-work transition program would be modeled after the JAG program.

Advantages

- o Administration legislation would provide a visible initiative addressing the chronic problem of youth unemployment.
- o This program could use the existing JTPA delivery system, emphasize business involvement, and adhere to JTPA's firm no-stipend policy.

-5-

- o The JAG Board of Directors, comprising prominent public officials from both political parties, strongly advocates adoption of the program.

Disadvantages

- o A high cost new initiative with escalating out-year costs is unnecessary. The new initiative duplicates existing JTPA and Employment Service authorities which allow States or localities to establish school-to-work transition programs and provide resources sufficient to cover their costs.
- o This proposal would create a new categorical program at a time when the Administration has successfully enacted block grant legislation for employment and training programs.
- o The existing evidence is mixed on the effectiveness of the program in enhancing employment and earnings opportunities for youth.

Option 2: Propose \$25 million to \$50 million increase in Department of Labor discretionary program to fund JAG demonstration projects in each of the 50 States.

Advantages

- o This is a modest but visible initiative in 1984 that would demonstrate the President's concern about high youth unemployment.
- o This expanded demonstration program may forestall Congressional action resulting in a larger new permanent program.

Disadvantages

- o States already have \$75 million in discretionary funds to establish their own demonstration projects. At the initiative of Governors, eight States have already established JAG programs.
- o The extent of Congressional support for a major new national School-to-Work program is not clear.

Option 3: Propose an amendment reprogramming \$25 million to \$50 million from the Summer Youth Employment Program to JTPA's discretionary account to fund an expanded series of School-to-Work Transition projects modeled after the Jobs for America's

-6-

Graduates Program.

Advantages

- o Reprogramming resources would retarget Federal summer youth employment spending on private sector jobs without stipends or subsidies.
- o A program modeled after JAG begins the process of preparing youth well before leaving school to ensure they are prepared to obtain and keep a job in the private sector.

Disadvantages

- o Reprogramming funds from a program which serves disadvantaged youth to one which serves youth regardless of parental income would exacerbate the perception that the Administration is insensitive to the poor.
- o In an election year, Congress is unlikely to reduce funding for the summer youth program. Therefore, the likely outcome of a reprogramming request would be to increase total Federal spending. As with other Administration initiatives, such as math and science legislation, the temptation for expanding funding in the current and out-years will be powerful.

Option 4: Do not propose legislation reprogramming funds toward School-to-Work Transition programs. Instead, encourage States and localities to use existing authority and flexibility to establish school-to-work programs modeled after JAG.

This option continues to rely on the States and localities to use existing authority and flexibility under JTPA and Wagner-Peyser for implementing programs that meet their most pressing labor market problems. Although this option would not involve budget changes or legislative proposals, the Administration could launch a high-level publicity effort. For example, the President could encourage States and localities to adopt the program in a radio address and Administration officials could widely publicize the program. The Administration could point out to States and localities the specific provisions or funds in JTPA and Wagner-Peyser on which they can draw to establish school-to-work programs modeled after JAG.

In addition, the Secretary of Labor could encourage States to adopt the JAG model for school-to-work transition programs through the Department's information clearinghouse

-7-

or technical assistance function. The Administration could distribute information about JAG through the normal clearinghouse and information sharing process as part of a program to apprise them of model programs assisting youths at the State and local levels.

Advantages

- o This option would require no increase in Federal spending and would avoid opening up JTPA to significant election-year Congressional increases.
- o It would preserve the integrity of JTPA and continue reliance on States and local areas for designing employment and training strategies.

Disadvantages

- o Endorsement, publicity, and encouragement of the program may be perceived as an inadequate initiative attacking youth unemployment.
- o Supporters of JAG may mobilize a bipartisan effort to enact legislation without Administration support.

Attachment: JAG Summary of Research Findings



Jobs for America's Graduates, Inc.

CHAIRMAN

The Honorable Pierre S. du Pont, IV
Governor
State of Delaware

VICE CHAIRMEN

The Honorable Lamar Alexander
Governor
State of Tennessee

The Honorable Charles S. Robb
Governor
Commonwealth of Virginia

PRESIDENT

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The Honorable Howard H. Baker, Jr.
U.S. Senator - Majority Leader
State of Tennessee

Mr. Clarence C. Barksdale
Chairman and Chief Executive Officer
First National Bank in St. Louis

Mr. Ralph W. Barrow
President
Jobs for Delaware Graduates, Inc.

The Honorable Christopher S. Bond
Governor
State of Missouri

The Honorable George Bush
Vice President
United States of America

Mr. Lyle Everingham
Chairman and Chief Executive Officer
The Kroger Co.

Mr. John H. Filer
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Aetna Life and Casualty Company

Mr. Pedro R. Garza
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SER-Jobs for Progress, Inc.

Mr. M. Carl Holman
President
National Urban Coalition

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The Honorable James M. Jeffords
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State of Vermont

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Senate Education Committee

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Mr. Preston S. Parish
Vice Chairman
The Upjohn Company

The Honorable John D. Rockefeller, IV
Governor
State of West Virginia

Mrs. Carolyn Warner
State Superintendent of
Public Instruction, Arizona

Mr. Raul Yzaguirre
President
National Council of La Raza

LEGAL COUNSEL

Mr. Stanton D. Anderson
Anderson, Hibey, Nauheim & Blair

SUMMARY OF RESEARCH FINDINGS

Jobs for America's Graduates designed and implemented an extensive evaluation system to determine whether participation in JAG programs significantly enhanced the ability of high school graduates to successfully transition from school to work.

This research has found the following benefits for participants in the Class of 1982 when compared to comparison group members.

Employment Overall

- o Participants were 54% more likely to be employed during the first three months following graduation.
- o Participants were 67% more likely to be employed in the fall following graduation (November-December 1982).

Earnings Overall

- o Participants earned nearly 86% more money during the first three months following graduation.
- o Participants earned nearly \$750 more during the first six months following graduation.

Race

- o Minorities tend to benefit to a substantially greater degree than white participants on most measures of performance.
- o Black participants were twice as likely to be employed than black comparison group members in the fall following graduation (109% more).
- o Black participants earned 92% more money than black comparison group members.

Achievement

- o Participants graduating with a C average were nearly twice as likely to have a job in the fall following graduation than comparison group members (97% more).

Jobs For America's Graduates, Inc.

Page Two

Summary of Research Findings

Family Income

- o Participants from low income families were more than twice as likely to be employed than comparison group members from low income families (125% more).
- o Participants earned more than twice as much money as comparison group members from low incomes (111% more).

Prior Work Experience

- o Participants with no prior work experience were nearly three times as likely to be employed than comparison group members (182% more).
- o Participants with no prior work experience earned nearly three times more money than comparison group members (185% more).

Recent studies have found that those young people who experience the greatest difficulty making the transition from school-to-work generally have the following characteristics:

- o come from the low income families
- o have little prior work experience
- o have low academic achievement
- o are members of a racial minority.

Jobs for America's Graduates, therefore, is found to serve best those who need it most.